



New IIA Chief Challenges Internal Auditors to Seize the Moment

By Trish Harris

Today, more than ever before in the history of the internal audit profession, internal auditors have extraordinary opportunities to boldly step forward in adding value and playing a more prominent role in business, strategic, and operational risks. Many around the world hold this viewpoint, but none speaks more passionately or with more conviction about this opportunity than the president of The Institute of Internal Auditors (IIA).



Richard F. Chambers, CIA, was appointed president of The Institute of Internal Auditors in January, 2009. He brings to the position 33 years of internal audit, accounting, and financial management leadership and 15 years of experience serving as an IIA volunteer and holding various leadership roles. As The IIA's president, Chambers will share, along with the chairman of the board, the role of official spokesperson for The Institute, representing members in 165 countries. He will be responsible for setting priorities and developing and implementing new initiatives. He will also work to advance The IIA as the internal audit profession's global voice, recognized authority, acknowledged leader, chief advocate and principal educator.

From his vantage point at The IIA's Global Headquarters, Richard F. Chambers, CIA, listed six ways internal audit practitioners can proactively demonstrate their value in today's business environment.

1. Point out Operational Risks

Insufficient internal controls in operations can bring a company to its knees just as quickly as can lax controls on the financial side of a business. In fact, many of the large failures over recent years were the result of operational and oversight ineptitude. It is important for internal auditors to make sure that management and the audit committee understand the dangers and potential damage of operational risks, the criticality of assessing operational risks, and the internal audit activity's role in ensuring operational controls are working. Once those at the top have a comprehensive picture of internal auditing's value in regard to operational risks, they more readily will view the chief audit executive as a valuable internal resource capable of identifying and assessing operational risks.

2. Provide Assurance on Risk Management

One of the outcomes of the current financial crisis is that internal auditors may be given an opportunity to play a greater role in providing assurance on how well risks are being managed in the organization. Historically, ensuring internal controls are effective has been a high priority for boards of directors, and providing assurance that controls are working has long been an important internal audit role. Due to the current economic crisis, stakeholders will demand an even greater focus on strategic, operational and business risks, which will

require organizations to enhance their risk management and adopt a strong controls-oriented business approach.

Those at the top will need to identify who within their organization has the independence, objectivity, and know-how to assess and provide assurance on how effectively risks are being managed. Who better than the internal auditors? They are well equipped and uniquely positioned to fulfill this role. But with this new opportunity comes greater responsibility. Clearly, many of the risks of recent corporate misbehavior could have been mitigated with proper controls. The chief audit executive (CAE) must be prepared to keep the audit committee and senior management informed about the company's risk profile, how the profile is being affected by major events, and whether profile changes are reflected in the company's risk assessment plan.

3. Emphasize the Importance of the Internal Auditors' Independent and Objective Perspective

One of the challenges that our profession has always encountered is the need to clarify for all stakeholders the internal auditor's role, responsibility and potential value. Internal auditing brings to the table a composite of not only good business acumen, but also in-depth knowledge of good internal controls and risk assessment. Their independence and objectivity also are critical to the value they bring to their organizations. A mandate in the form of a written internal audit charter should establish the internal audit activity's purpose, authority and responsibility; and should support its independence and objectivity within an organization. Further, the

internal auditors should adopt a policy that endorses their commitment to abide by The IIA's Code of Ethics and avoid conflicts of interest. They also should disclose any activity that could result in a possible conflict of interests.

4. Follow the Profession's Authoritative Guidance



As we continue to develop the profession and articulate its importance to stakeholders, it is crucial that we communicate the strong features of internal audit professionalism. One of the key areas of strength for our profession is The IIA's *International Standards for the Professional Practice of Internal Auditing (Standards)*, which are recognized worldwide. The *Standards* set the bar for our profession by outlining basic principles, establishing the basis for evaluation of internal audit performance and fostering improved processes and operations.

Along with the Definition of Internal Auditing and the Code of Ethics, the *Standards* are a mandatory component of the profession's authoritative guidance—the International Professional Practices Framework (IPPF). Strongly recommended guidance comprises Practice Advisories, Position Papers and Practice Guides. Combined within the framework, the mandatory and strongly recommended guidance form the IPPF wheel of authoritative guidance.

5. Enhance Knowledge of Information Technology

Today, technology plays a critical role in how organizations everywhere operate,

as well as how they are monitored and controlled. In order to provide a relevant service that adds value to organizations, internal auditors need to ensure that they are both informed and flexible, and that their IT skills are relevant and continuously up to date.

Internal auditors must draw on a variety of technologies to assist with data extraction and analysis, computer-assisted audit techniques, control monitoring, audit reporting, and work flows. IT developments are moving at warp speed, which requires internal audit practitioners to be diligent and ever aware. The IIA's free Global Technology Audit Guides (GTAG), which are part of the IPPF's strongly recommended authoritative guidance, are a valuable resource for staying knowledgeable about the different risks, controls, and governance issues associated with technology. Also a part of the IPPF, the *GAIT guidance and methodology set of Practice Guides is designed to help organizations identify the key IT general controls needed for an efficient and effective scope of work for Section 404 of the U.S. Sarbanes-Oxley Act of 2002.*

6. Become Certified

Even in today's struggling economy, the demand for internal auditors is strong, as public and private companies respond to heightened stakeholder expectations and corporate reforms. Potential employers are not only looking at college degrees and experience, but also at what sets candidates apart from the rest.

Many organizations seeking internal audit professionals through The IIA's Career Center are now requiring applicants to hold the Certified Internal Auditor (CIA) designation. And a recent review of job postings for internal auditors on a global job search site revealed that as many as three out of four employers require or prefer candidates who have earned the CIA.

Similarly, The IIA Research Foundation's Global Audit Network (GAIN) Annual

Benchmarking Study found that 37 percent of respondents work for organizations that require or encourage their CAEs, directors and managers to be or become CIAs. And more than half of the organizations encourage regular audit staff to obtain their CIA.

When Chambers speaks to people entering the profession, he always encourages them to invest in their future by becoming the best internal audit professional possible. It is his belief that the CIA helps practitioners prepare for dealing with increasingly complex and diverse issues and responsibilities. He indicates that, in his own career, demonstrating professionalism and being committed to excellence has not been optional. He believes that his CIA designation communicates to the world that he exemplifies professionalism, proficiency and commitment.

The Moment has Arrived

The internal audit profession is, indeed, at a crossroads...Chambers says that every day he is reminded of the great needs that internal audit practitioners fill and believes that there has never been a better time than now to be an internal auditor. "The moment has arrived, and we must seize it and strengthen our capabilities in the areas involving risks that are most critical to stakeholders," says Chambers. "We must be ready to cope with new demands for increased corporate accountability and we must challenge ourselves to move beyond our comfort zone. We cannot be passive, but must proactively step forward on behalf of corporate ethics, integrity and accountability," he says.

As the profession's leader and authority, The IIA has much work ahead. Chambers looks forward to the future as IIA president, and is excited about the opportunities for the profession, The IIA, and for the more than 150,000 IIA members all over the world. 🏆

Trish Harris is the Director of Corporate Communications & Public Relations for the IIA. She may be reached at pr@theiia.org.